

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
THIRD SET OF INFORMATION REQUESTS FROM THE ATTORNEY GENERAL
D.T.E. 06-31

Date: September 25, 2006

Responsible: Stephen H. Bryant, President
Danny G. Cote, General Manager

AG 3-8: Please refer to the Company's response to AG-2-10.

- a) Describe in detail the "aggressive cost management techniques" used at the Company. Provide any documentation that describes the "aggressive cost management techniques." Provide any reports that describe the results of the "aggressive cost management techniques."
- b) Provide copies of all e-mails to or from Date Cote and Steven Bryant regarding the "aggressive cost management techniques" and main replacement.
- c) From 1999 to 2006 list all plant balances for bare steel mains.
- d) Provide copies of all e-mails and reports to or from: Harris Marple and Mike O'Donnel (or their respective predecessors) regarding the Company's "aggressive cost management techniques" and main replacement.

RESPONSE: (a) By referring to the Company's cost management techniques as "aggressive", Mr. Bryant simply means that Bay State and other NiSource distribution companies consistently focus on methods to provide quality service to its customers at the lowest reasonable cost. For a brief description of the Company's effort regarding cost management echniques related to pipe replacement see the Company's Repy Brief in D.T.E. 05-27 @ p.15.

(b) and (d). The key words "aggressive cost management techniques" do not appear in any e-mails accompanied by the phrase "main replacement" in the electronic mailbox of either Mr. Cote or Mr. Bryant, nor in any e-mail exchange to or from Mr. Cote or Mr. Bryant with Mr. Marple or Mr. O'Donnell.

(c) Bay State is still obtaining this information. The employee charged with obtaining it has been absent due to hospitalization.

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
FOURTH SET OF INFORMATION REQUESTS FROM THE ATTORNEY GENERAL
D.T.E. 06-31

Date: September 25, 2006

Responsible: Stephen H. Bryant, President

SUPPLEMENTAL RESPONSE

AG-4-3 Please refer to the response AG 2-3(B).

a) Do these charts include information for the Company's Massachusetts operations alone? If no, then produce copies of the the response for the Company's Massachusetts operations.

b) Define the term "Units" for "New Mains Installed" and "Replacement Mains".

c) Produce copies of all e-mails, reports or memorandums to or from Dan Cote or Steve Bryant related to "New Mains Installed" and "Replacement Mains" for the years 2000 to 2005.

d) Do the approved annual baseline budgets and year end actual expenses include main leak repairs? If yes, please explain where. If no, produce annual baseline budgets and year end actual expense charts that include main leak repairs. Produce copies of all e-mails, reports or memorandums to or from Dan Cote or Steve Bryant related to main leak repairs for the years 2000 to 2005.

e) Provide any e-mails, letters or memorandums to or from NiSource that relate to setting the annual baseline budget for "Replacement Mains" for the years 2000 to 2005.

f) Provide further detail to the rows for "Replacement Mains" for the years 1999 to 2006 by breaking out this figure by main material type and service area.

RESPONSE:

a) The information presented in Attachment AG-2-3 (b) is for Bay State. Bay State only operates in the Commonwealth of Massachusetts.

- b) The "Units" measured on the "New Main Installed" and "Replacement Mains" line items are in "Feet" and represent the number of feet installed.
- c) This request is being conducted and this response will be updated if additional information as that requested in this subsection (c) is located.
- d) The costs for "Leak Repairs to Mains" can be either capitalized or expensed depending upon the circumstances. The cost associated with joint clamping cast iron bell joints and replacing large segments of pipe are capitalized and are reflected in the "Joint Sealing" and "Keyholing" line items on Attachment AG-2-3 (b). The costs associated with repairing an individual Type 1 or Type 2 leak with clamps on a main are expensed. See Attachment AG-4-3 (a) for 2000 through 2005 actual and 2006 budgeted Leak Repair expense for the Company's Massachusetts operations.
- e) This request is overbroad and no search can be done of NiSource's entire e-mail system or its thousands of employees for such a broad request. In an effort to be responsive to the request, Bay State is searching the electronic mail files of Mr. Bryant and Mr. Cote for e-mails that contain the key words "budget," "forecast," and "main replacement," for the years requested. This response will be updated if additional information as that requested in this subsection (e) is located.
- f) See Attachment AG-4-3 (b) for the break out of "Replacement Mains" data by service area for 2000 through 2006. The Company's does not budget or report actual "Replacement Mains" costs by material type.

**SUPPLEMENTAL
RESPONSE:**

- (c) Please see Bay State's response to AG 03-04A for Mr. Cote's related electronic files in response to this request. Mr. Bryant's electronic files are still being searched for information that may be responsive to the request.
- (d) Please see Attachment AG-4-3 (a) which was inadvertently omitted from the initial filing of this response on September 21, 2006.
- (e) Please see Attachment AG-3-4A for electronic mail files of Mr. Bryant and Mr. Cote for e-mails that contain the key words "budget," "forecast," and "main replacement," for the years requested. This response will be updated if additional information as that requested in this subsection (e) is located.

(f) Please see Attachment AG-4-3 (b) which was inadvertently omitted from the initial filing of this response on September 21, 2006.

Bay State Gas Company
Main Leak Repair O&M Expense and Volumes
2000 Through 2006

		<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	Budget <u>2006</u>
Total	Volumes		1,428	1,256	1,504	1,855	1,766	1,551	1,688
	Cost per Unit		\$932.03	\$1,015.14	\$896.83	\$993.82	\$1,131.39	\$1,158.07	1,078
	Total Cost	Unavailable	\$ 1,330,940	\$ 1,275,017	\$ 1,348,836	\$ 1,843,542	\$ 1,998,036	\$ 1,796,159	\$ 1,820,215

FORECAST OF CAPITAL SPENDING
CY 2000 Through 2006 (Budget)

(Col 1) 12 Months Actual	(Col 2) 12 Months Budget	(Col 3) Year To Date Variance	(Col 4)	(Col 5) Adjustments	(Col 6) Revised	(Col 7)	(Col 1 + 6 + 7) Year-End Forecast	Plan	Variance Over(Under)
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Month Ending December 31, 2000

Brockton	REPLACEMENTS									
	Replacement Mains									
	Units	67,449	52,824	14,625				67,449	52,824	14,625
	Unit Cost	\$40.66	\$41.46	(\$0.80)				\$40.66	\$41.46	(\$0.80)
Springfield	Dollars	2,742,690	2,190,083	552,607				2,742,690	2,190,083	552,607
	Replacement Mains									
	Units	20,584	44,025	(23,441)				20,584	44,025	(23,441)
	Unit Cost	\$57.29	\$24.77	\$32.52				\$57.29	\$24.77	\$32.52
Lawrence	Dollars	1,179,219	1,090,400	88,819				1,179,219	1,090,400	88,819
	Replacement Mains									
	Units	12,703	16,812	(4,109)				12,703	16,812	(4,109)
	Unit Cost	\$77.64	\$35.69	\$41.95				\$62.85	\$35.69	\$27.16
Total	Dollars	986,233	600,000	386,233	(187,846)			798,387	600,000	198,387
	Dollars	4,908,142	3,880,483	1,027,659	0	0	0	(187,846)	4,720,296	3,880,483

Month Ending December 31, 2001

Brockton	REPLACEMENTS										
	Replacement Mains										
	Units	38,256	53,100	(14,844)					38,256	53,100	(14,844)
	Unit Cost	\$46.35	\$41.56	\$4.79					\$46.35	\$41.56	\$4.79
	Dollars	1,773,198	2,206,836	(433,638)					1,773,198	2,206,836	(433,638)
Springfield	Replacement Mains										
	Units	51,198	50,000	1,198					51,198	50,000	1,198
	Unit Cost	\$34.39	\$24.77	\$9.62					\$34.39	\$24.77	\$9.62
	Dollars	1,760,933	1,238,500	522,433					1,760,933	1,238,500	522,433
Lawrence	Replacement Mains										
	Units	13,725	14,860	(1,135)					13,725	14,860	(1,135)
	Unit Cost	\$37.51	\$40.60	(\$3.09)					\$37.51	\$40.60	(\$3.09)
	Dollars	514,776	603,250	(88,474)					514,776	603,250	(88,474)
Total	Dollars	4,048,907	4,048,586	321	0	0	0	0	4,048,907	4,048,586	321

Month Ending December 31, 2002

	REPLACEMENTS										
Brockton	Replacement Mains										
	Units	38,381	28,346	10,035					38,381	28,346	10,035
	Unit Cost	\$39.48	\$54.72	(\$15.24)					\$39.48	\$54.72	(\$15.24)
	Dollars	1,515,436	1,551,211	(35,775)					1,515,436	1,551,211	(35,775)
Springfield	Replacement Mains										
	Units	22,170	40,790	(18,620)					22,170	40,790	(18,620)
	Unit Cost	\$50.50	\$24.77	\$25.73					\$50.50	\$24.77	\$25.73
	Dollars	1,119,659	1,010,356	109,303					1,119,659	1,010,356	109,303
Lawrence	Replacement Mains										
	Units	12,776	12,131	645					12,776	12,131	645
	Unit Cost	\$47.01	\$36.91	\$10.09					\$47.01	\$36.91	\$10.09
	Dollars	600,565	447,792	152,773					600,565	447,792	152,773
Total	Dollars	3,235,660	3,009,359	226,301	0	0	0	0	3,235,660	3,009,359	226,301

Month Ending December 31, 2003

REPLACEMENTS											
Brockton	Replacement Mains										
	Units	40,369	28,346	12,023					40,369	28,346	12,023
	Unit Cost	\$46.24	\$54.72	(\$8.48)					\$46.24	\$54.72	(\$8.48)
	Dollars	1,866,842	1,551,211	315,631					1,866,842	1,551,211	315,631
Springfield	Replacement Mains										
	Units	29,733	40,790	(11,057)					29,733	40,790	(11,057)
	Unit Cost	\$50.49	\$24.77	\$25.72					\$50.49	\$24.77	\$25.72
	Dollars	1,501,290	1,010,356	490,934					1,501,290	1,010,356	490,934
Lawrence	Replacement Mains										
	Units	9,864	12,131	(2,267)					9,864	12,131	(2,267)
	Unit Cost	\$71.55	\$36.91	\$34.64					\$71.55	\$36.91	\$34.64
	Dollars	705,784	447,792	257,992					705,784	447,792	257,992
Total	Dollars	4,073,916	3,009,359	1,064,557	0	0	0	0	4,073,916	3,009,359	1,064,557

FORECAST OF CAPITAL SPENDING
CY 2000 Through 2006 (Budget)

(Col 1) 12 Months Actual	(Col 2) 12 Months Budget	(Col 3) Year To Date Variance	(Col 4)	(Col 5) Adjustments	(Col 6) Revised	(Col 7)	(Col 1 + 6 + 7) Year-End Forecast	Plan	Variance Over(Under)
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Month Ending December 31, 2004

	REPLACEMENTS										
Brockton	Replacement Mains										
	Units	85,733	119,741	(34,008)					85,733	119,741	(34,008)
	Unit Cost	\$68.07	\$54.88	\$13.19					\$68.07	\$54.88	\$13.19
	Dollars	5,835,594	6,571,156	(735,562)					5,835,594	6,571,156	(735,562)
Springfield	Replacement Mains										
	Units	16,955	44,642	(27,687)					16,955	44,642	(27,687)
	Unit Cost	\$113.06	\$37.90	\$75.16					\$113.06	\$37.90	\$75.16
	Dollars	1,916,965	1,691,799	225,166					1,916,965	1,691,799	225,166
Lawrence	Replacement Mains										
	Units	21,684	30,363	(8,679)					21,684	30,363	(8,679)
	Unit Cost	\$56.93	\$41.62	\$15.31					\$56.93	\$41.62	\$15.31
	Dollars	1,234,381	1,263,610	(29,229)					1,234,381	1,263,610	(29,229)
Total	Dollars	8,986,940	9,526,565	(539,625)	0	0	0	0	8,986,940	9,526,565	(539,625)

Month Ending December 31, 2005

	REPLACEMENTS										
Brockton	Replacement Mains										
	Units	84,140	36,274	47,866					84,140	36,274	47,866
	Unit Cost	\$20.92	\$54.72	(\$33.81)					\$20.92	\$54.72	(\$33.81)
	Dollars	1,759,836	1,985,000	(225,164)					1,759,836	1,985,000	(225,164)
Springfield	Replacement Mains										
	Units	38,557	95,278	(56,721)					38,557	95,278	(56,721)
	Unit Cost	\$55.22	\$24.77	\$30.45					\$55.22	\$24.77	\$30.45
	Dollars	2,129,148	2,360,000	(230,852)					2,129,148	2,360,000	(230,852)
Lawrence	Replacement Mains										
	Units	15,298	23,975	(8,677)					15,298	23,975	(8,677)
	Unit Cost	\$46.78	\$36.91	\$9.86					\$46.78	\$36.91	\$9.86
	Dollars	715,566	885,000	(169,434)					715,566	885,000	(169,434)
Total	Dollars	4,604,550	5,230,000	(625,450)	0	0	0	0	4,604,550	5,230,000	(625,450)

Month Ending December 31, 2006 (Budget)

	REPLACEMENTS									
Brockton	Replacement Mains									
	Units								32,163	
	Unit Cost								\$54.72	
	Dollars								1,760,000	
Springfield	Replacement Mains									
	Units								41,248	
	Unit Cost								\$55.22	
	Dollars								2,277,766	
Lawrence	Replacement Mains									
	Units								18,920	
	Unit Cost								\$46.78	
	Dollars								885,000	
Total	Dollars	0	0	0	0	0	0	0	4,922,766	0

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
FOURTH SET OF INFORMATION REQUESTS OF LOCAL 273
D.T.E. 06-31

Date: September 25, 2006

Responsible: Stephen H. Bryant, President

UWUA-04-18: [See UWUA 1-9]

In light of the various statements in DTE 98-31 by the Department regarding Bay State's apparent intent regarding future staffing levels, e.g., that at the time of the merger NiSource had an "expressed intent to avoid layoffs at Bay State" and "consider[ed] a strong local presence and management at Bay State to be a critical component of the combined system's long-term objectives," [DTE 98-31, at 50], please provide any written documentation or notes of meetings that would support the statement that "the Department was aware that non-union staff and management positions would be consolidated," particularly to the extent that staff has actually been reduced since the decision in 98-31.

RESPONSE: The record in D.T.E. 98-31 demonstrates that the Department was informed that Bay State's ongoing cost management initiatives could result in workforce reductions, particularly in non-union staff and management. The Department recognized that redundancies of certain functions were likely to occur upon the merger of two similar organizations. Moreover, the Department has indicated that a utility is obligated to ensure post-merger efficiencies are captured by eliminating redundant non-union and management positions. It is in this way that the post-merger entity can deliver to its customers the most efficient and least cost provision of service.

While Bay State witness James D. Simpson noted in D.T.E. 98-31 that he did not anticipate job losses would result directly from the merger of Bay State and NIPSCO., he did state that Bay State would continue to seek cost efficiencies, and that some of these steps may result in job losses:

"The Utility Segment will continue with its plans to implement ongoing cost management initiatives as well as look for additional measures to increase efficiency. Some of these initiatives may result in workforce reductions, however, these activities are driven by our

focus on improving the efficiency and effectiveness of our processes and not by this transaction.”

See, Direct Testimony of James D. Simpson, D.T.E. 98-31, p. 27.

In addition, during the Department hearings of D.T.E. 98-31, Bay State Witness Simpson also testified that it was engaged in a number of ongoing initiatives that were intended to improve business efficiencies and/or to reduce operating costs, and that one outcome of these initiatives was the elimination of “some staff support positions.” D.T.E. 98-31, Hearing Transcript Volume 2, July 14, 1998 at p. 94, line 10.

Later in the hearings, during questioning related to the consolidation of Bay State call centers into a single center in Springfield, Massachusetts, Mr. Simpson was asked if there would be further impetus to consolidate positions or functions after the merger. Mr. Simpson replied that in fact Bay State should and would continually seek ways to improve service and efficiency, including third party provision of service:

“What I would say is that, just over the last couple of years we have gone from a point of having call centers located in Portland, Portsmouth, Lawrence, Springfield, and Brockton to now having one consolidated call center in Springfield, all for the purpose of improving customer-service levels and improving efficiency, we’re always going to be looking for ways to similarly improve customer-service and efficiency levels; and that means that on a fairly periodic basis we do look at whether there is an opportunity to outsource our call center functions. Certainly with the merger with NIPSCO, there would likely be other options that would be available to us as well”.

Hearing Transcript Volume 2, July 14, 1998, at p. 99, lines 1-13).

Finally, in its Order, the Department acknowledged that Bay State’s indicated that cost containment and elimination of redundancies were likely, and that any workforce reductions would be implemented consistent with the requirements of its collective bargaining agreements:

“[Bay State and NIPSCO] noted that although any consideration of workforce reductions here would be premature, future workforce reductions that may occur as a result of cost containment efforts would be worked out through negotiation with the employees’ respective bargaining units.”

Order, D.T.E. 98-31 at p. 50.

"Although job redundancies in consolidated systems would impose avoidable costs and thus would be detrimental to ratepayers, the Department has noted that the elimination of these redundancies should be accomplished in a way that mitigates the effect on the utility's employees."

Order, D.T.E. 98-31 at p. 50.

Bay State believes these statements demonstrate the Department was aware that ongoing cost containment efforts (resulting from the merger or from other business-related efficiency initiatives) could result in a reduction of positions and the elimination of systems impacting positions; that redundancies in positions and systems were likely to emerge from the consolidation of two similar organizations; and, that the Company had an obligation to secure all reasonable post-merger cost savings, including those resulting from the elimination of redundant positions.

Another factor is important when evaluating Bay State's non-union and management staffing requirements after 1998. The Bay State / NIPSCO merger created NiSource. In 2000, NiSource and the Columbia Energy Group ("CEG") completed a follow-on merger that, among other things, created a utility with distribution companies in nine (9) states serving 3.6 million gas and electric customers. The new company had pipeline affiliates and other non-regulated affiliates providing service in a geographic area stretching from the Gulf of Mexico up to New England. Where the Bay State / NIPSCO merger was deemed at the time to be "strategic," with less emphasis on possible cost saving opportunities, the NiSource / CEG merger was expected to yield, and has yielded, significant administrative and general operating savings for the subsidiary distribution companies. Since 2001, Bay State has been engaged in a number of business initiatives that have improved and will continue to improve business efficiencies. Bay State follows this course as part of its obligation to provide least cost service to its customers.

At the time of the merger, both NiSource and CEG had service companies and supported several layers of distribution management. It was evident by 2001 that any cost efficient, post-merger consolidated entity striving for least cost provision of service would have to pursue a strategy that included the elimination of redundant positions and systems. In fact, by embracing a strategy that looked for and acted on initiatives designed to improve service and reduce cost, NiSource and Bay

State have responded exactly as the Department would expect and demand of an efficient utility under its jurisdiction.

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
FIRST SET OF INFORMATION REQUESTS FROM THE USW
D.T.E. 06-31

Date: September 25, 2006

Responsible: Stephen H. Bryant, President
As to Objection: Legal Counsel

**SUPPLEMENTAL
RESPONSE:**

USW 1-23: From July 1, 2005 to date, provide all documents within the custody, control, or possession of NiSource, NSCS or BSG regarding or relating to the Smithfield Call Center's customer service performance for Columbia Gas and every other NiSource affiliate utilizing the Smithfield Call Center. This request includes, but is not limited to, any documents concerning IBM's ability to meet customer service quality indicators on behalf of each NiSource affiliate it serves at the Smithfield, PA Call Center.

RESPONSE: Objection. The question seeks information irrelevant to this proceeding, where Bay State's service quality on behalf of its customers and where the relationship between the jurisdictional company, Bay State, and its Parent, NiSource, is in issue. Moreover, the question is a fishing expedition into the affairs of non-jurisdictional companies since it requests information belonging to entities that have no demonstrated effect on Bay State service to its customers.

Notwithstanding this objection, but rather specifically maintaining it, NCSC monitors IBM's performance at the Smithfield Customer Contact Center through two measurements, (i) Service Level Agreements (SLA) and (ii) utilization of Resource Units. Service Levels relate to the quality of IBM's performance at the Customer Contact Center and Resource Units track the quantity of work performed by IBM.

NCSC management's methodology surrounding measuring and tracking IBM's performance is provided as Attachment USW 1-23 (a) CONFIDENTIAL. The specific SLAs for the Customer Contact Centers and Meter to Cash are provided as Attachment USW 1-23 (b) CONFIDENTIAL.

Additionally, the utilization of Resource Units is measured in each service area by category and a corresponding unit of resource utilization on a calendar month basis. NCSC has analyzed the historical data related to call volumes, types of calls and type of work within the Contact Center in Smithfield, PA. This information was used to calculate the quantity of Resource Units to be utilized by IBM to operate the Contact Center. The

types of Contact Center Resource Units and measurement of those units are outlined on the Attachment USW 1-23 (c) CONFIDENTIAL.

NCSC analyzes these two measurements for IBM's customer service performance in the Customer Contact Center. The two measurements are reviewed in conjunction with the other in order to evaluate performance.

Attachments USW 1-23 (a) CONFIDENTIAL , USW 1-23 (b) CONFIDENTIAL and USW 1-23 (c) CONFIDENTIAL constitute confidential and proprietary business information. Accordingly, the material is provided in single copy to the Hearing Officer under a Motion for Protective Treatment and may be provided to any other party upon execution of a mutually-agreeable confidentiality agreement.

**SUPPLEMENTAL
RESPONSE:**

Please see Bay State's response to USW 1-25 Supplemental for information about additional documentation used by Governance in the monitoring and maintenance of service quality under the IBM Agreement.

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
FIRST SET OF INFORMATION REQUESTS FROM THE USW
D.T.E. 06-31

Date: September 25, 2006

Responsible: Stephen H. Bryant, President
As to Objection: Legal Counsel

SUPPLEMENTAL RESPONSE

USW 1-24: Prior to July 1, 2005, how many individuals were employed by Columbia Gas to staff its call center(s)? How many individuals does IBM currently use to staff customer service for Columbia Gas customers?

RESPONSE: Objection. The question is irrelevant to this proceeding where Bay State's service quality on behalf of its customers and where the relationship between the jurisdictional company, Bay State, and its Parent, NiSource, is in issue. Moreover, the question is a fishing expedition into the affairs of non-jurisdictional companies since it requests information belonging to entities that have no demonstrated effect on Bay State service to its customers.

**SUPPLEMENTAL
RESPONSE:**

Notwithstanding this objection, but rather, specifically maintaining it, Bay State would state that prior to the July 2005 transition to IBM/Vertex, Columbia Gas of Ohio had 85 full time equivalent non-union employees at its Call Center in Columbus, Ohio; Columbia Gas of Kentucky had 40 non-union full time equivalent employees at its Call Center and Walk-In Center in Lexington, Kentucky; and, Columbia Gas of Pennsylvania had 157 full time equivalent non-union employees at its Call Center in Smithfield, Pennsylvania.

IBM/Vertex uses a varying number of CSRs, which changes from day to day at the Call Center in Smithfield, Pennsylvania. It is reasonable to state that as of this date, including Team Leaders and Managers, the total full time equivalent is approximately 270 employees.

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
FIRST SET OF INFORMATION REQUESTS FROM THE USW
D.T.E. 06-31

Date: September 25, 2006

Responsible: Stephen H. Bryant, President
As to Objection: Legal Counsel

SUPPLEMENTAL RESPONSE

USW 1-29: From December 1999 to date, provide all documents in the possession, custody or control of BSG, NCSC, or NiSource, including but not limited to, internal memoranda, reports, e-mails, meeting notes, regarding or relating to Springfield Call Center's failure to meet Massachusetts, New Hampshire, or Maine customer service quality indicators (from time to time between 1999 and the present date). This request includes, but is not limited to, documents regarding or relating to strategies set forth by BSG, its agents, or employees to improve service quality and/or to increase staffing levels.

RESPONSE: Objection. The request constitutes a fishing expedition. Materials dating to 1999 are completely irrelevant to this inquiry that takes place in 2006, when Bay State has met its call center service quality metrics for over three years. Bay State has met or exceeded its call center metrics in each of the years 2003, 2004 and 2005. The request is not calculated to lead to evidence that will be admissible as to any material issue in this proceeding.

**SUPPLEMENTAL
RESPONSE:**

Notwithstanding this objection, but rather specifically maintaining it, Bay State provides Attachment USW 1-29 SUPP, which are responses to information requests on this topic produced in D.T.E. 05-27. Due to the voluminous nature of this attachment it is being provided on a CD only. Bay State does not understand what USW means by "failure to meet . . . service quality indicators (from time to time between 1999 and the present date)." Bay State continually examines service quality but its measurement is in fact established by adherence to the regulatory requirements dictated by Order of the Department.

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
THIRD SET OF INFORMATION REQUESTS FROM THE USW
D.T.E. 06-31

Date: September 25, 2006

Responsible: Stephen H. Bryant, President

SUPPLEMENTAL RESPONSE

USW 3-3: Referring to BSG's response to USW 1-6 and USW 1-5, provide all documents relating to or regarding the December 2001 decision referenced in Mr. Bryant's response "to require additional approvals before vacant positions could be filled." This request includes, but is not limited to, all documents regarding, relating to, or informing the decision-makers identified in your response to USW 3-2 to response "to require additional approvals before vacant positions could be filled."

RESPONSE: Please see Attachment USW 03-03.

Attachment USW 03-03 is a letter from Gary L. Neale, Chairman, President and Chief Executive Officer of NiSource in December, 2001 that outlines the factors that led to the decision to put on hold hiring for new positions and requiring the approval of the NiSource Management Council to fill vacant positions.

In Attachment USW 03-03, Mr. Neale notes that expected poor financial performance due to a weak economy and high energy prices would require that, collectively, the management and employees of NiSource affiliates would need to find ways to "streamline our organization, find more efficient ways of doing our work, and reduce costs." Mr. Neale also observes in Attachment USW 03-03 that a team of employees and consultants were at that time engaged in examining the "overall organization structure, roles, responsibilities, and processes to determine ways in we can further streamline [administration and operations] and make us even more effective." Mr. Neale also recognizes in Attachment USW 03-03 that Operation Excellence, a comprehensive examination of "ways in which, in the long term, we can truly operate the business in a more effective way," was well underway and would impact the organization in the near future by defining additional ways to streamline the organization.

Each of the factors described in Attachment USW 03-03 contributed to considerable uncertainty regarding the finances and the staffing requirements of the future organization and therefore strongly influenced

management's decision-making with regard to the timing of and requirements for selecting additional personnel at that time.

**SUPPLEMENTAL
RESPONSE:**

Bay State has reviewed this response at the request of counsel for USW and believes that its initial response reasonably addresses the question posed, as it indicates the considerable business uncertainty facing Bay State (as well as its affiliates) in December of 2001.

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
THIRD SET OF INFORMATION REQUESTS FROM THE USW
D.T.E. 06-31

Date: September 25, 2006

Responsible: Stephen H. Bryant, President

SUPPLEMENTAL RESPONSE

USW 3-5: Referring to BSG's response to USW 1-5 and USW 1-8, provide the date that December 2001 decision resulting in the policy "to require additional approvals before vacant positions could be filled" at BSG, was officially lifted at BSG.

RESPONSE: A search of Company records has not uncovered any specific documents declaring a "formal" relaxation of the requirement to seek additional approval before a vacant position could be filled within the NiSource affiliates. In March 2002, the Office of the Chief Operating Officer was created and in August 2002, Samuel W. Miller was appointed to the position of Executive Vice President and Chief Operating Officer. From this point on, operational staffing decisions were made by Mr. Miller and/or his designates.

**SUPPLEMENTAL
RESPONSE:**

Bay State has reviewed this response at the request of counsel for USW and offers the following in further response to the question asked.

There is no specific date that the so-called "policy" was lifted that sought additional approvals before hiring decisions could be made. Although there was no "formal" relaxation of the "policy", Mr. Miller's appointment had the effect of streamlining staffing decisions.

Today, NiSource manages budgetary considerations by function, rather than by subsidiary, in order to create value from the sheer size of its organization. Accordingly, Bay State's business is managed in a business-style that is *collaborative*, taking the best information from both the local and the corporate level to enable NiSource to ensure that maximum efficiency is derived from each operation and subsidiary. The local information feeds to the corporate level on a close and continuing basis.

In this way, Mr. Bryant is ultimately responsible for ensuring that customer service and quality are provided on a daily basis at the lowest reasonable cost and in compliance with governmental regulations and mandates. Mr. Cote is responsible for ensuring that such service is provided adequately,

safely and reliably. While there is expected input to and from the corporate level, the requirement that Bay State maintain a reasonable level of administrative and operational staffing and precisely what that reasonable level is to accomplish the provision of service under these criteria falls on the shoulders of Mr. Bryant and Mr. Cote.

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
THIRD SET OF INFORMATION REQUESTS FROM THE USW
D.T.E. 06-31

Date: September 25, 2006

Responsible: Stephen H. Bryant, President

SUPPLEMENTAL RESPONSE

USW 3-6: Referring to BSG's response to USW 1-5 and USW 1-9, identify every Bay State Gas and NCSC employee or agent, as well as all NiSource officers or agents, responsible for the decision to lift the December 2001 policy to "to require additional approvals before vacant positions could be filled" at BSG on the date identified in your response to USW 3-5. Provide each individual's job title at that time, his employer in 2001.

RESPONSE: Please see Bay State's response to USW 3-5.

**SUPPLEMENTAL
RESPONSE:**

Bay State has reviewed this response at the request of counsel for USW and believes that its initial response reasonably addresses the question posed, as Bay State's response to USW 3-5 SUPP states that it is improper to indicate a decision was made with regard to lifting a so-called "policy" to require additional approvals for hiring.

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
THIRD SET OF INFORMATION REQUESTS FROM THE USW
D.T.E. 06-31

Date: September 25, 2006

Responsible: Stephen H. Bryant, President

SUPPLEMENTAL RESPONSE

USW 3-7: Please state whether the December 2001 decision “to require additional approvals before vacant positions could be filled” applied to other NiSource affiliates, or only to BSG. Additionally, state when the policy to “to require additional approvals before vacant positions could be filled” at other NiSource affiliates was officially lifted.

RESPONSE: Please see Bay State’s response to USW 3-5.

**SUPPLEMENTAL
RESPONSE:**

Bay State has reviewed this response at the request of counsel for USW and believes that its initial response reasonably addresses the question posed, as Bay State’s response to USW 3-5 SUPP states that it is improper to indicate a decision was made with regard to lifting a so-called “policy” to require additional approvals for hiring.

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
THIRD SET OF INFORMATION REQUESTS FROM THE USW
D.T.E. 06-31

Date: September 25, 2006

Responsible: Stephen H. Bryant, President

SUPPLEMENTAL RESPONSE

USW 3-8: Referring to BSG's response to USW 1-5 and USW 1-10, provide all documents regarding, relating to, or informing the decision to lift the policy initiated in December 2001 "to require additional approvals before vacant positions could be filled" on the date specified in your response to USW 3-5.

RESPONSE: Please see Bay State's response to USW 3-5.

**SUPPLEMENTAL
RESPONSE:**

Bay State has reviewed this response at the request of counsel for USW and believes that its initial response reasonably addresses the question posed, as Bay State's response to USW 3-5 SUPP states that it is improper to indicate a decision was made with regard to lifting a so-called "policy" to require additional approvals for hiring.

COMMONWEALTH OF MASSACHUSETTS
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RESPONSE OF BAY STATE GAS COMPANY TO THE
THIRD SET OF INFORMATION REQUESTS FROM THE USW
D.T.E. 06-31

Date: September 25, 2006

Responsible: Stephen H. Bryant, President

SUPPLEMENTAL RESPONSE

USW 3-11: To the extent not provided in BSG's response to USW 3-10, provide all documents informing, regarding, or relating to Mr. Bryant's evaluation of whether NCSC should utilize IBM for customer service, billing, sales and other functions prior to June 21, 2005.

RESPONSE: Mr. Bryant's principal focus regarding the potential use of IBM, or any of the other potential parties to an outsourcing agreement that would provide services to Bay State, was on the service quality metrics that would be included in the ultimate contract for service provision. Mr. Bryant has not retained any documents associated with this evaluation.

**SUPPLEMENTAL
RESPONSE:**

Please see Bay State's response to USW-3-13 SUPP.

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
THIRD SET OF INFORMATION REQUESTS FROM THE USW
D.T.E. 06-31

Date: September 25, 2006

Responsible: Stephen H. Bryant, President

SUPPLEMENTAL RESPONSE

USW 3-12: To the extent not provided in BSG's response to USW 3-10, provide all documents informing, regarding, or relating to Mr. Bryant's analysis of whether NCSC should utilize IBM for customer service, billing, sales and other functions after June 21, 2005.

RESPONSE: Please see Bay State's response to USW 3-11.

**SUPPLEMENTAL
RESPONSE:**

Please see Bay State's response to USW-3-13 SUPP.

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
THIRD SET OF INFORMATION REQUESTS FROM THE USW
D.T.E. 06-31

Date: September 25, 2006

Responsible: Stephen H. Bryant, President
Sherry Gavito, Vice President, Governance NCSC
As to objection: Legal Counsel

SUPPLEMENTAL RESPONSE

USW 3-13: For each of the individuals identified in BSG's response to USW 1-16, Table USW 1-16(b), provide all documents informing, regarding, or relating to each listed individual's determination of whether NCSC should utilize IBM for customer service, billing, sales, and other functions. This includes, but is not limited to, all reports, memoranda, and e-mails regarding the same.

RESPONSE: Objection. USW 3-13 is overbroad and constitutes a fishing expedition. The due diligence process that was undertaken by the listed officers, as well as the other managers and directors and agents of NiSource, was extensive, as set forth in Bay State's response to USW 3-10. "All documents" in the hands of those individuals listed in USW 1-16 would only consist of a part of the substantive information reviewed and relied upon for decision-making purposes and would not justify the full recommendation made by those officers. An expansion of the request to include the documents informing, regarding or relating to the evaluation of those managers, consultants, agents, attorneys and other advisors who contributed to the knowledge-base of the individuals listed in USW-1-16 would be too burdensome to locate and gather, and has, at most, questionable relevance to the proceeding. Finally, such materials may contain information that constitutes a trade secret, constitutes a business secret and is confidential to both IBM and/or NiSource. Further, much of any such information is likely to relate to areas that are not subject to this investigation, such as finance and accounting services, human resources and information technology. In addition, such materials may include attorney mental impressions and attorney workproduct, as well as information that is protected under the attorney client privilege.

Notwithstanding this objection, but rather specifically maintaining it, please see Bay State's response to USW 3-10.

**SUPPLEMENTAL
RESPONSE:**

Notwithstanding this objection, but rather specifically maintaining it, Bay State will state as noted in Bay State's response to USW 03-10, NiSource

down-selected to three providers (IBM, Accenture and HP) after sending out RFPs to five outsourcing firms. HP chose to pull out of the process before NiSource began its due diligence.

Both IBM and Accenture were given each a week to perform due diligence on NiSource. Both IBM and Accenture had teams of 50 to 75 people performing due diligence on our potential areas to be outsourced. NiSource, in turn, performed extensive due diligence on both IBM and Accenture and had at least two to four people per area physically visit sites, requesting substantiating data etc. NiSource sent teams to the geographic areas which IBM or Accenture had indicated they would perform services. These geographic locales were in Canada, India, United Kingdom, Costa Rica, Brazil, Tulsa (Oklahoma) and Endicott (New York).

EquaTerra, in consultation with each NiSource team and using the NiSource team input and information, prepared a "SCORECARD" comparing IBM and Accenture and stating the preferred provider. A copy of that "SCORECARD" is attached hereto as CONFIDENTIAL Attachment USW 3-13 (A).

EquaTerra, assisted by the NiSource teams, then prepared a presentation providing what each Tower believed it would need to accept the other provider. A copy of that presentation is appended as CONFIDENTIAL Attachment USW 3-13 (B).

The individuals identified in Table USW-01-16(b) reviewed those two presentations and consulted with the NiSource and *EquaTerra* teams.

On April 25, 2005, NiSource's Executive Council met with *EquaTerra* and the NiSource outsourcing team to review the business case and pricing presented by each of IBM and Accenture, while taking into consideration the scorecards and the needs of the Towers for acceptance of the provider. Based on that review and the input gathered during this extensive process, the individuals identified in Table USW 01-16(b) made the decision to enter into the outsourcing agreement with IBM.

One important factor must be explained in light of the information contained in CONFIDENTIAL Attachments USW 03-13(A) and USW 03-13(B). The IT component of the outsourcing transaction was significant proportionally in relation to the entire outsourcing transaction and the other services included. Preferences identified by NiSource's IT Tower were influential to the ultimate partner accepted for business process transformation. This is demonstrated by CONFIDENTIAL Attachment USW 03-13(A).

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
FIFTH SET OF INFORMATION REQUESTS FROM THE USW
D.T.E. 06-31

Date: September 25, 2006

Responsible: Stephen H. Bryant, President

USW 5-1: Referring to your response to USW 3-5 to 3-8, provide the following information:

- 1) Identify the dates of Mr. Miller's employment with NCSC or BSG;
- 2) Identify Mr. Miller's employer (BSG or NCSC) as of August 2002;
- 3) Identify whether Mr. Miller's employer has changed between August 2002 and the present date;
- 4) Identify the geographic location of Mr. Miller's current office, and to the extent available, how long Mr. Miller has worked at that location;
- 5) Confirm that the Company's review of documents regarding, informing, or relating to the decision to lift the December 2001 policy "to require additional approvals before vacant positions could be filled" included all documents within the custody, control, or possession of Mr. Miller; and
- 6) To the extent that this is not the case, provide all documents within the custody, control, or possession of Mr. Miller relating to, informing, or regarding the decision to lift the December 2001 policy "to require additional approvals before vacant positions could be filled."

RESPONSE:

- 1) Samuel W. Miller became Executive Vice President and Chief Operating Officer of NiSource Inc., on September 1, 2002.
- 2) Mr. Miller was employed by NiSource Corporate Services Company (NCSC).
- 3) Mr. Miller ended his employment with NCSC on March 31, 2005.
- 4) Please see the Company's response to 3) above.
- 5) Please see the Company's response to 3) above.
- 6) Please see the Company's response to 3) above. Since Mr Miller is no longer employed by NCSC, it is no longer possible to review documents within his custody, control and possession. However, when Mr Miller was appointed to the position he held, operational staffing decisions were made on a more streamlined basis.

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
FIFTH SET OF INFORMATION REQUESTS FROM THE USW
D.T.E. 06-31

Date: September 25, 2006

Responsible: Stephen H. Bryant, President

USW 5-2: Referring to BSG's response to USW 3-11, confirm that prior to June 21, 2005, Mr. Bryant did not evaluate any materials regarding whether NCSC or BSG should utilize IBM for customer service, billing, sales and other functions other than the service quality metrics that were ultimately incorporated into the June 21, 2005 NCSC-IBM Agreement.

To the extent Mr. Bryant reviewed other documents prior to June 21, 2005, identify those documents.

RESPONSE: Please see Bay State's response to USW 04-04.